VEREINIGTE KUGELLAGERFABRIKEN A.G. (VKF)

DECLASSIFIED
Authority NND 963589

Berlin, 30 March 1948
PWL/br

Office of Military Government
for Germany (U.S.)
Property Division
Decartelization Branch
Berlin, APO 742

HQ Control Commission
for Germany (BE)
Economic Sub-Commission
Control and Decartelization Branch
Berlin, BAOR

In the Matter of
VEREINIGTE NUCHLAGERFABRIKEN
A.G. (VNF)

Bipartite Deconcentration
Action ... No. ___

DETERMINATION AND DIRECTIVE

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I. AUTHORITY FOR PROCEEDINGS

1. These proceedings are instituted by the Decartelization Branch, Property Division, Office of Military Government for Germany (U.S.), under U.S. Military Government Law No. 56, entitled "Prohibition of Excessive Concentration of German Economic Power", effective as of 12 February 1947, as supplemented by Regulation No. 1, as amended, and General Order No. 35 dated 16 April 1947; and by the Control and Decartelization Branch, Economic Sub-Commission, HQ Control Commission for Germany (BE), under British Military Government Ordinance No. 78, entitled "Prohibition of Excessive Concentration of German Economic Power", effective as of 12 February 1947, as supplemented by Regulation No. 1, as amended, and Notice of Appointment dated 27 May 1947.

2. These proceedings are instituted against Vereinigte Kugellagerfabriken A.G. (hereinafter sometimes referred to as VKF), an economic enterprise having its headquarters at Schweinfurt, Land Bavaria, United States Zone of Occupation in Germany (hereinafter referred to as U.S. Zone).

3. It is determined that these proceedings are a matter involving more than one Land of the Bizonal Area of Occupation in Germany.

II. SUBJECT PERSONS

4. The following juristic person, which is referred to in the Statement of Facts, is the subject of these proceedings, that is, is required to comply with provisions of the ~~Order to Show Cause~~ Directive:

Vereinigte Kugellagerfabriken A.G., an economic enterprise having its headquarters at Schweinfurt, Land Bavaria, United States Zone of Germany.

III. STATEMENT OF FACTS

5. This Statement of Facts contains information concerning Vereinigte Kugellagerfabriken A.G. It is based upon a report filed by Vereinigte Kugellagerfabriken A.G. pursuant to the provisions of Regulation No. 1, as amended, under U.S. Military Government Law No. 56, and upon additional data considered by the Dipartite Decartelization Commission to be relevant and material.

Ownership

6. The stock of VKF is 99.7 per cent owned by Aktiebolaget Svenska Kullagerfabriken, Goeteborg, Sweden, (hereinafter sometimes called SKF). The ownership of the remaining 0.3 per cent is unknown. SKF, which was founded at Goeteborg, Sweden, in 1907, has a complete monopoly of the anti-friction bearing industry in Sweden and has expanded to a near world monopoly. The following table shows the distribution of SKF production and capacity during the second quarter of 1939:

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Plant Location	Number of Bearings Produced	Percentage of Total	Maximum Quarterly Capacity	Percentage of Total
Goeteborg, Sweden	3,535,374	18.7	4,500,000	20.8
Schweinfurt, Germany	5,809,751	30.7	6,000,000	27.7
Bad Cannstatt, Germany	3,976,710	21.3	4,500,000	20.8
Paris, France	2,532,418	13.3	2,800,000	12.9
Luton, England	2,057,295	10.8	2,250,000	10.4
Philadelphia, U.S.A.	897,159	4.7	1,500,000	6.9
Pierstein, Czechosl.	98,702	0.5	125,000	0.5
	18,907,409	100.0	21,675,000	100.0

Thus, more than 50 per cent of the bearings produced by SKF throughout the world were made in Germany, less than 20 per cent in Sweden and the remainder in France, England, the United States and Czechoslovakia. The market for these bearings was scattered all over the world.

7. SKF has sought to expand its control at the expense of its competitors. It and its subsidiary in the United States (SKF Industries, Inc.) are named as defendants in a complaint filed by the Department of Justice of the United States. In this complaint it is charged that SKF entered into a contract with its American subsidiary under which the latter agreed not to export bearings from the United States while SKF agreed not to export bearings to the United States. During World War II, however, the American subsidiary, by agreement with SKF, exported bearings to SKF overseas markets. This enabled SKF to divert its Swedish output to Germany. This limited the bearings for the United States and supplied bearings to Germany.

8. SKF has entered into a number of cartel agreements allocating territory and restricting competition. All of them are designed to retard the growth of and to weaken its competitors.

Development and Activities

9. Prior to 1929 Norma A.G., Bad Cannstatt, was the only company in Germany owned by Aktiebolaget Svenska Kullagerfabriken (SKF), Goeteborg, Sweden. In 1929 VKF was formed by amalgamating this company with the following enterprises in Germany:

Fichtel & Sachs (only their bearing facilities),
Deutsche Waffen- u. Munitionsfabriken (DWF),
Fries & Hopflinger,
Maschinenfabrik Rheinland A.G.,
Riebewerke A.G.,
Hollmann A.G., and
BKF.

Following the amalgamation the machines and facilities were consolidated into the manufacturing units described in Paragraphs 15 and 16.

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10. Beginning at 1932 VKF undertook an exceedingly rapid expansion in productive capacity. It more than doubled its bearing output by 1934, and by 1938 the production was more than seven times as great as in 1932. This expansion, in a strategic industry, was an important factor in the rearming of Germany.

11. At the time VKF was formed, in 1929, it sought to acquire Kugelfischer, a large competitor, and Georg Mueller. Had it been able to effect this plan VKF would have established a complete monopoly of the anti-friction bearing industry in Germany. VKF threatened its opposition with a price war. In 1930, at the expiration of the price-fixing convention among German producers, it actually engaged in a price war, depressing the prices of some bearings to a point below the cost of production in order to force its competitors to surrender. Since its formation, VKF has sought by whatever means available to establish itself as a monopoly in the anti-friction bearing industry. In foreign markets, when confronted by competition, it has depressed the price of standard bearings until competitors have been forced to abandon such markets and thereafter it has increased its prices very substantially.

Description of Products

12. VKF produces anti-friction bearings (a term used to include ball and roller bearings and accessories and parts for such bearings) and, to a minor extent, textile spindles. Anti-friction bearings are generally used between a shaft and a rotating body, such as an automobile axle and wheels. They consist of balls or rollers fitted with precision into cases, or "races", which are in turn affixed to moving parts. They are a world necessity in this modern industrial economy. Aircraft, trucks, automobiles, trains, military equipment, machine tools, rolling mills, power generating and transmission equipment, household appliances and most types of miscellaneous machinery and engines depend upon anti-friction bearings. There is a tremendous shortage of bearings on the world market today due to the destruction and limitation of both the bearing and steel producing facilities of Germany, and the diversion of the Swedish production to the Russian market. Moreover, the use of bearings is being extended to more and more products. While there are as many as 13,000 different types ob bearings, VKF produces only 3,000 to 4,000 types. Approximately 70 per cent of its production is confined to about 1000 types. Bearings range in size from an outer diameter of less than 22 mm to over 600 mm, and some have been made as large as 3 meters in diameter. However, those in more general use range in outside diameter from 63 mm to 240 mm.

Market Position

13. The position of VKF among producers and sellers of anti-friction bearings in the Combined Area is indicated by the four tabulations which follow:

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a. Production in 1946

Name of Producer	Number of Types	Number of Units	Weight in kg	Value in RM
VKF	1722	8,796,914	3,505,032.8	35,765,543
Kugelfischer	845	3,804,282	1.412,797.3	15,050,081
Jaeger & Co.	251	412,066	397,854.2	4,134,212
Georg Mueller	71	1,836,725	36,223.1	1.980,233
Robert Kling	117	269,792	46,125.4	1,193,117
(Six others)		774,264	126,402.4	2,291,105
Totals		15,944,043	5,524,435.2	60,414,291

b. Shipments in 1946

Name of Producer	Number of Types	Number of Units	Weight in kg	Value in RM
VKF	1871	8,656,851	3,186,154.9	35,137,208
Kugelfischer	1653	4,739,261	1,377,630.0	16,659,685
Jaeger & Co.	278	447,827	375,102.8	4,033,477
Georg Mueller	73	2,067,358	37,118.6	2,425,337
Robert Kling	230	323,804	59,172.1	1,038,678
(Six others)		787,513	126,921.4	2,303,303
Totals		17,022,614	5,162,099.8	61,597,688

c. Production in First Half of 1947

Name of Producer	Number of Types	Number of Units	Weight in kg	Value in RM
VKF	1089	4,453,839	1,781,880.0	18,896,085
Kugelfischer	366	2,294,727	595,109.8	7,059,266
Jaeger & Co.	114	175,763	220,886.4	2,032,764
Georg Mueller	63	828,004	16,950.2	986,806
Robert Kling	83	169,075	34,467.0	503,068
(Six others)		369,689	73,070.5	1,264,812
Totals		8,311,097	2,722,363.9	30,742,801

d. Shipments in First Half of 1947

Name of Producer	Number of Types	Number of Units	Weight in kg	Value in RM
VKF	1736	5,566,677	1,993,759.4	21,953,922
Kugelfischer	1149	2,579,302	753,913.2	8,874,917
Jaeger & Co.	187	178,171	189,663.8	1,782,721
Georg Mueller	56	771,527	15,536.3	908,625
Robert Kling	180	194,749	37,733.2	618,069
(Six others)		392,598	74,054.5	1,267,282
Totals		9,683,024	3,064,660.4	35,405,536

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In relationship to the total 1946 production of the manufacturers referred to above, VKF's production of anti-friction bearings constituted 55.3 per cent of the total number of units, 63.4 per cent of the total weight, and 59.2 per cent of the total value; its shipments of anti-friction bearings constituted 59.2 per cent of the total number of units, 61.7 per cent of the total weight, and 57.1 per cent of the total value. In the first half of 1947 VKF's production of anti-friction bearings constituted 53.5 per cent of the total number of units, 65.5 per cent of the total weight, and 61.2 per cent of the total value; its shipments of anti-friction bearings constituted 57.5 per cent of the total number of units, 65.1 per cent of the total weight, and 62.0 per cent of the total value.

Asset Value

14. The VKF Balance sheet for 31 December 1945 shows assets valued at RM 122,837,359.43. Current assets were valued at RM 98,281,047.85, fixed assets at RM 22,631,743.63, shares in affiliated companies at RM 1,307,100.00, and deferred charges at RM 617,467.95. The fixed assets include patents valued at RM 1.00. Some of the investments included in the balance of RM 1,307,100.00 referred to in the preceding sentence have been lost to VKF through the operation of Control Council Law No. 5, or otherwise. Liabilities, consisting of current and accrued liabilities and deferred credits, totalled RM 56,816,564.24. The net worth (that is, the difference between the totals for assets and liabilities) was RM 66,020,795.19. Therefore, not only did the paid-in capital of RM 60,000,000.00 remain unimpaired as of 31 December 1945, but a surplus exceeding RM 6,000,000.00 existed. Figures for 31 December 1946 and 31 December 1947 are not available.

Plants and Other Facilities

15. At Schweinfurt, VKF has two manufacturing facilities described as Werk I and Werk II. Substantial bomb damage had been sustained by the buildings at Schweinfurt, but a considerable part is repaired or in the process of repair. The executive and accounting offices as well as the machines for all final manufacturing processes are located in Werk I. Practically all raw materials enter the manufacturing process in Werk II where the actual production of balls, rings, cages and other components commences. These components are transferred in an unfinished state to Werk I where they are hardened, ground, polished and finally assembled into the finished bearings. As of 30 June 1947 there were 2149 machines installed and in operation in these two plants. VKF plans to install additional machines, held in storage, as building repairs are completed.

16. VKF also owns a manufacturing unit located at Stuttgart-Bad Cannstatt. Extensive bomb damage to this unit has been substantially repaired and when the repair is completed it will provide the same amount of floorspace as was available in 1938. On 30 June 1947, this unit had 725 installed machines. All of the rollers used in the assembly of roller bearings made by the enterprise are manufactured here. Both roller bearings and ball bearings are assembled in this plant, the balls being supplied by the Schweinfurt plants. The Schweinfurt plant in turn receive their supply of rollers from the plant at Bad Cannstatt. In addition to anti-friction bearings, the plant at Bad Cannstatt manufactures a patented textile spindle.

17. On 30 June 1947 VKF had 2874 machines in production and 2618 machines in storage and available for its contemplated expansion. The latter figure include

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both new and used machines but does not include all of the motors stored by the enterprise.

18. VKF has twelve (12) district offices, each of which carries a stock of bearings and is operated by employees.

Employment

19. As of December 1946 VKF employed 3320 persons distributed as follows:

Main Plants at Schweinfurt	2716
Stuttgart-Bad Cannstatt Plant	924
Miscellaneous Offices and Agencies	180
Total:	3820

Subsidiaries and Participations

20. VKF owns participations in several German companies. Information concerning these companies and certain foreign companies in which VKF owned participations is set out below:

a. Gemeinnuetzige Gesellschaft fuer Kleinwohnungen GmbH, Schweinfurt (U.S. Zone), is engaged in the business of financing the building and leasing of apartments for industrial workers. Its capitalization is RM 400,000. VKF owns 25 per cent of the shares; Kugelfischer owns 25 per cent, Fichtel & Sachs owns 25 per cent, and the city of Schweinfurt owns the balance.

b. Lebensmittelversorgung auslaendischer Arbeiter GmbH, Schweinfurt (U.S. Zone), is engaged in the business of procurement of foodstuffs for industrial workers' canteens. Its capitalization is RM 120,000. VKF owns one-third of the shares; Kugelfischer and other Schweinfurt manufacturers own the balance.

c. "Gewoba" Gemeinnuetzige Wohnungsbaugenossenschaft, GmbH, Erkner bei Berlin (Russian Zone), was formerly engaged in the business of constructing houses for industrial workers. VKF owns shares having a par value of RM 17,000. Information as to the total par value of the shares and the names of other owners is not available.

d. Kugellager GmbH, Berlin (U.S. Sector), acts as a sales agency for VKF in Berlin. Its capitalization is RM 100,000. All of its shares are owned by VKF.

e. Kugel- und Rollenlager, Kattowitz, Poland, formerly acted as a sales agency for VKF. Its capitalization was RM 100,000.

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VKF owned 60 per cent of the shares; nationals of Poland probably owned the balance of the shares.

f. Soc. An. Unione Fabricanti Cuscinetti a Sfera, Milan, Italy, formerly acted as a sales agency for VKF in Italy. Its capitalization was 100,000 Lire, which was the equivalent of RM 13,000. VKF owned all of the shares.

g. SKF-Kugellagerfabrik GmbH, Purstein a.d. Eger, Czechoslovakia, was formerly engaged in the business of manufacture and sale of anti-friction (ball and roller) bearings. Its capitalization was RM 2,200,000. VKF owned 50 per cent of the shares, which it acquired from Fichtel & Sachs in 1929.

With exception of assets subject to the jurisdiction of the United Kingdom, British Dominions, India, Colonies and Possessions, the Union of Soviet Socialist Republics, the United States, France, and any other United Nations determined by the Control Council, Control Council Law No. 5 vested in the German External Property Commission all rights, titles, and interests in respect to any property outside Germany which was owned or controlled by any person of German nationality inside Germany, and any property outside Germany which was owned or controlled by any person of German nationality outside Germany, or by any branch of any business or corporation or other legal entity organized under the laws of Germany, or having its principal place of business in Germany.

Interlocking Directorates:

21. The Aufsichtsrat of VKF is now beginning to renew its functions for the first time since the end of the war. It consists of Hans Rummel, Munich, Dr. Ing. Erhard Junghans, Stuttgart, Dr. Guenter Henle, Duisburg, Dr. Ing. Karl Benit, Fahr/Rheinland and Paul Hamel, Hannover, all of German nationality, and Harald Hamberg, Sweden, and Dr. Ing. e.h. Carl F. Boeninger, Sweden, both of Swedish nationality. Information as to other directorates of which these officials are members or have been members is set out below:

a. Hans Rummel is a member of the Vorstand of the Deutsche Bank, Berlin, and the Aufsichtsrat of the following companies:

Deutsche Tafelglas A.G., Fuerth,
Maschinenfabrik Augsburg-Nuernberg A.G., Augsburg,
Porzellanfabrik L. Hutschenreuther A.G., Selb,
Krauss-Maffei A.G., Munich,
Daimler Benz A.G., Stuttgart-Untertuerkheim,
Gebr. Junghans A.G., Schramberg.

Prior to 1945 Mr. Rummel was a member of the Aufsichtsrat of the following additional companies:

Bayrische Motorenwerke A.G., Munich
Brauerei Tucher A.G., Nuernberg,
Wuerttembergische Metallwarenfabrik A.G., Geislingen,

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Elektrische Licht- u. Kraftanlagen A.G., Berlin,
Stock & Co., Spiralbohrer A.G., Berlin
Dt. Telefon- u. Kabelwerke A.G., Berlin,
Heliowatt A.G., Berlin,
Porzellanfabrik Kahla, Kahla/Thuer.,
Deutsche Hypothekenbank, Berlin,
Allianz, Lebensversicherung- A.G., Berlin,
Siemens-Schuckert-Werke A.G., Berlin.

b. Dr. Ing. Erhard Junghans is a deputy manager of the Sueddeutsche Eisen- u. Stahl-Berufsgenossenschaft and manager of its Wuerttembergische Section.

c. Dr. Guenter Henle is a member of the Aufsichtsrat of the following companies:

Gewerkschaft Victor, Rauxal,
Kloeckner Reederei u. Kohlenhandel GmbH, Duisburg,
Eckhardt & Co., A.G., Hamburg,
Huettenwerk Haspe A.G., Hagen-Haspe,
Huettenwerk Georgsmarienhuette A.G.

Prior to 1947 Mr. Henle was a member of the Aufsichtsrat of the following additional companies:

Rheinische Chamotte- u. Dinas-Werke, Mehlem,
Stahlhof A.G., Duesseldorf,
Stahlwerke-Verband A.G., Duesseldorf,
Kloeckner-Humboldt-Deutz Isselburger Huette, Isselburg,
Rheinisch Westfaelisches Kohlensyndikat, Essen,
Deutsch-Atlantische Telegraphen-Gesellschaft, Berlin.

d. Dr. Ing. Karl Wendt is a member of the Aufsichtsrat of the following companies:

Th. Goldschmidt A.G., Essen,
Rheinisch-Westfaelische Elektrisitaetswerk A.G., Essen.

Prior to 1945 Mr. Wendt was a member of the Aufsichtsrat of the following additional companies:

Friedrich Krupp A.G., Essen,
Friedrich Krupp-Grusonwerk A.G., Magdeburg,
Gustav Genschow & Co., A.G., Berlin,
A.G. der Dillinger Huettenwerke, Dillingen,
Vereinigte Oberschlesische Huettenwerke A.G., Gleiwitz,
Veritas Gummiwerke, Berlin,
A.G. fuer Eisen- u. Stahlverwertung, Essen.

e. Paul Hamel is a member of the Aufsichtsrat of the following companies:

Accumulatorenfabrik A.G. Hagen, Berlin,
Deutsche Waffen- u. Munitionsfabriken A.G., Berlin und Tochtergesellschaften,

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Aktiengesellschaft f. Verkehrswesen, Berlin.

Prior to 1945 Mr. Hamel was a member of the Aufsichtsrat of the following additional companies:

Aktiengesellschaft Sturm, Freiwaldau,
E.A. Schwerdtfeger & Co., Berlin.

f. Harald Hamberg is a member of the Aufsichtsrat of the Aktiebolaget Svenska Kullagerfabriken, Goetoborg, Sweden.

g. Dr. Ing. e.h. Carl F. Boeninger is a member of the Aufsichtsrat of the Kjellberg Elektroden & Maschinen GmbH, Finsterwalde, Niederlausitz.

IV. DETERMINATIONS

22. The U.S. Decartelization Branch, having considered the factors mentioned in Paragraph 4 of U.S. Military Government Law No. 56 and the facts set forth in the Statement of Facts, hereby determines that Vereinigte Kugellagerfabriken A.G. is an excessive concentration of economic power within the meaning of U.S. Military Government Law No. 56; and the British Control and Decartelization Branch, having considered the factors mentioned in Paragraph 4 of British Military Government Ordinance No. 78 and the facts set forth in the Statement of Facts, hereby determines that Vereinigte Kugellagerfabriken A.G. is an excessive concentration of economic power within the meaning of British Military Government Ordinance No. 78.

V. STATEMENT OF DECONCENTRATION MEASURES

23. The U.S. Decartelization Branch deems it to be necessary, in view of the determination of excessiveness reached in the first part of Paragraph 22 above and the evidence and data presently available to it and in order to accomplish the purposes of U.S. Military Government Law No. 56, and the British Control and Decartelization Branch deems it to be necessary, in view of the determination of excessiveness reached in the second part of Paragraph 22 above and the evidence and data presently available to it and in order to accomplish the purposes of British Military Government Ordinance No. 78, that Vereinigte Kugellagerfabriken A.G. shall effect the complete and perpetual severance of any and all ties of ownership, control and management, whether direct or indirect, between it (VKF) and each and every plant and other facility, wherever located, which is suitable for the manufacture and sale of anti-friction bearings. Execution of the measures specified above shall be in accordance with detailed methods and procedures contained in such plans as may be filed with the German Decartelization Agency for Bavaria (See Paragraph 24 below) and approved by the U.S. Decartelization Branch and the British Control and Decartelization Branch or in accordance with detailed methods and procedures to be prescribed by the two designated agencies. The disposition of interests in properties and enterprises located in Germany but outside of the Bizonal Area thereof shall not be carried out until economic unity of Germany has been agreed upon or until otherwise directed in the "Final Determination and Order" issued in these proceedings.

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VI. DIRECTIVE

24. Vereinigte Kugellagerfabriken A.G. is directed to file with the German Decartelization Agency for Bavaria, Munich, within ninety (90) days of the date of service of this "Determination and Directive", a plan for executing the measure described in Paragraph 23 above. Two originals, one in English and one in German, duly executed, of the plan required by this Directive, accompanied by six (6) true copies in English and six (6) true copies in German, shall be filed.

VII. GENERAL

25. This "Determination and Directive" is concerned with the deconcentration of the Bosch Combine. Any contracts, agreements and practices in restraint of trade will be the subject of such other action as may be necessary.

26. The provisions of this "Determination and Directive" are subject to the provisions of Regulation No. 1, as amended, under U.S. Military Government Law No. 56, relating to the filing of objections. Failure to file objections, within the time allowed, to any part of the "Determination and Directive" to which objections may be filed, shall constitute a waiver of the right to a hearing and appeal with respect to such part of the "Determination and Directive".

27. In interpreting this "Determination and Directive", the English text shall govern.

28. Any person violating or evading, or attempting to violate or evade, any directive contained in this "Determination and Directive" may be prosecuted as provided in Article VII, Paragraph 12, of U.S. Military Government Law No. 56 or British Military Government Ordinance No. 78.

Dated: _____ 19___

Office of Military Government
for Germany (U.S.)
Property Division
Decartelization Branch

Richardson Bronson
Chief

C. H. Collison
Deputy Chief

HQ Control Commission
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Economic Sub-Commission
Control and Decartelization Branch

C. C. Osborrow
Director

R. J. B. Williams
Deputy Director

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